

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

VERITEXT/PA REPORTING COMPANY, : CIVIL ACTION
LLC, t/a RSA :
v. :
E-REPORTING STENOGRAPHIC :
AFFILIATES OF PENNSYLVANIA, INC., :
t/a E-RSA, F. DAVID DAMIANI, LAURA :
GROSSO, CARMELLA MAZZA, RICHARD :
J. COLEMAN : NO. 03-6533

MEMORANDUM AND ORDER

JACOB P. HART
UNITED STATES MAGISTRATE JUDGE November 23 , 2004

Presently before the court are two motions to compel in this trademark infringement/unfair competition case. Each side has filed a motion to compel the other to respond to discovery requests propounded by the other. Rather than filing two separate orders, the court will address both motions in this memorandum.

The individual Defendants in this action were former employees and independent contractors of the Plaintiff's court reporting business. Together, they formed a competing court reporting business. The Plaintiff claims that the Defendants misappropriated the RSA tradename, disparaged the former's reputation, and took certain clients from the Plaintiff.

In the Plaintiff's motion, the Plaintiff seeks production of a laundry list of documents, the bulk of which the Defendant has stated it either does not have or has already produced. First, Plaintiff requests any applicable insurance policies. In response, the Defendants state that they do not have any in their possession, that they have requested them from their carrier, and that they will provide the policies upon receipt. We believe this is sufficient to satisfy the request.

Next, Plaintiff requests any non-privileged communications between the Defendants and their attorneys, law firms, and insurance companies regarding the services offered by E-RSA. This request was narrowed by letter dated August 19, 2004. Counsel explained that the Plaintiff seeks “documents regarding the announcement of E-RSA’s business, and marketing materials issued to any customer, prospective customer and documents regarding the scope of E-RSA’s services.” Defense counsel has now responded that there are no documents responsive to this limited request. Similarly, with respect to the request for any marketing materials, counsel has responded that there are no responsive documents. No further response is necessary.

Like the prior category of requested information, counsel has responded that there are no documents responsive to the request for documents related to the confusion between RSA and E-RSA. Again, no further response is necessary.

Next, the Plaintiff seeks documents related to E-RSA’s loans, financing, attempts to obtain same, and leasing arrangements. In response, the Defendants have produced a copy of their lease, a redacted copy of a loan application, the loan commitment letter, and the business loan agreement document. The Plaintiff claims that such documents are “relevant in connection with the manner in which ERSA was formed, when it was formed, and who was involved with the formation of the company.” To the extent Defendants have any other financial paperwork responsive to this stated purpose, they shall produce it, or respond that they have no other responsive documents.

The Plaintiff also seeks documents concerning the financial condition of E-RSA in an effort to establish E-RSA’s profits, recoverable under the Lanham Act. After the filing of

the Plaintiff's motion, defense counsel confirmed that all responsive financial records have been produced.

Next, RSA seeks documents concerning E-RSA's bank accounts, including cancelled checks, deposit slips, bank statements, check registers and electronic transfers. The Defendants object to this request as it is unduly burdensome and would disclose the Defendants' business practices and competitive information. We agree with the Defendants that the request, as stated, is overly broad. If the purpose of this request is to obtain information regarding alleged damages, the financial records discussed above would disclose the financial condition of the company without allowing the competition to examine the business practices and client lists. Therefore, we will sustain the Defendants' objection to this request.

Finally, RSA seeks all documents in the Defendants' possession relating to RSA. The Defendants claim that this request is vague and unduly burdensome. We agree. The former employees of RSA may have countless documents relating to their former employer, including paystubs, employee manuals, etc. To the extent RSA alleges that their former employees took documents or property from RSA upon their departure, the Defendants have denied the implication. Rather, the Defendants have identified another former employee, presumably unrelated to E-RSA, who allegedly took certain documents. According to defense counsel, the documents were subpoenaed and made available for Plaintiff's inspection.

As it appears the Defendants have either produced or certified that no responsive documents are in their possession, the bulk of the Plaintiff's motion shall be denied as moot. We will sustain the Defendants' objection to the production of information regarding E-RSA's bank accounts and any information relating to RSA. To the extent the Defendants have any additional

financial documents relating to the formation of the company not previously produced, they shall produce it or certify that no additional information is responsive.

Having disposed of the Plaintiff's motion, we now turn to the requests of the Defendants. The Defendants have listed nineteen categories of documents they seek from the Plaintiff. The Plaintiff has responded that the "motion" is procedurally flawed, untimely, and directed to the wrong entity. Moreover, the Plaintiff, in an *omnibus* objection to the requests, claims that none of the information sought is reasonably calculated to lead to the discovery of admissible evidence.

To the extent the Plaintiffs complain that the Defendants' "Brief" is not accompanied by a "Motion," the Court will overlook the oversight. It is clear from the "Brief" that a Motion for the Production of the Documents was contemplated. Similarly, despite the lack of a proper certification pursuant to Local Rule of Civil Procedure 26.1(f), it is clear that counsel attempted to resolve this dispute before requesting the intervention of the court. "[I]n spite of the best efforts of counsel for both plaintiffs and defendants, we have not been able to reach an agreement regarding the documents to be produced." (Defendants' Brief, at 1).

Plaintiff also argues that the Defendants' motion should be denied as untimely. We find this argument to be disingenuous. In late July, prior to the discovery deadline, Defendants filed a motion to compel discovery responses which sought the financial information to support the Plaintiff's claimed damages. Because counsel were cooperating in the production of the documents, defense counsel requested that the court not rule on the pending motion and it was terminated by the court on September 13. The financial documentation, now categorized by defense counsel, appears to be responsive to the original discovery motion.

The Plaintiff also objects to the discovery requests because E-RSA has requested information that lies with the Plaintiff's parent company. To allow such discovery, argues the Plaintiff, will ignore the distinct nature of the two companies. In support of its argument, the Plaintiff cites an opinion granting summary judgment for a parent corporation based on the theory that it is a separate entity from the subsidiary. Plaintiff's Brief, at 6. Here, we are not at the summary judgment stage. At this point, the Defendants are attempting to review documents evidencing the lost profits alleged by the Plaintiff. We will not allow the Plaintiff to shield such documents' discovery by placing them in the hands of the parent during the discovery stage and then utilizing them at trial to prove damages. However, to the extent the Defendants seek information directly relating to the parent or sister companies, we agree with the Plaintiff that the information is irrelevant to the damages suffered by Veritext of Pennsylvania.

Finally, the Plaintiff alleges that the information sought is not calculated to lead to the discovery of admissible evidence. Looking at the categories of information sought by E-RSA, we find this difficult to believe. In its Complaint, the Plaintiff alleged that it had lost revenue due to the actions of the Defendants in utilizing a similar name, in making misleading statements, and by diverting customers away from the Plaintiff. (Complaint, at ¶¶ 45, 49, 51, 54, 55, 59, 72, 75, 78). Much of the information sought clearly implicates the monetary damages alleged by the Plaintiff. Unfortunately, not being familiar with the deposition testimony referenced in the requests, it is difficult to determine the relevance of some of the requested documentation. Therefore, we will give the Plaintiff the opportunity to further brief its argument that the information sought in the nineteen categories is not calculated to lead to the discovery of relevant evidence. We caution the Plaintiff, however, that it placed its own financial status in

issue. Documents supporting its financial strength or weakness are relevant to this litigation.

This includes the company's financial status prior to the formation of E-RSA to provide a basis for comparison to its financial strength after its competitor entered the market.

An appropriate Order follows.

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ORDER

AND NOW, this 23rd day of November, 2004, upon consideration of the Motions to Compel Production of Documents, the response thereto, and for the reasons stated in the accompanying Memorandum, IT IS HEREBY ORDERED that the Plaintiff's Motion is GRANTED IN PART and DENIED IN PART. To the extent the Defendants have any additional financial documents relating to the formation of the company not previously produced, they shall produce it or certify that no additional information is responsive. IT IS FURTHER ORDERED that the Plaintiff shall have 10 days in which to supplement its response to the Defendants' Motion to Compel, specifically addressing its argument that the information sought in the nineteen categories is not calculated to lead to the discovery of relevant evidence.

BY THE COURT:

JACOB P. HART
UNITED STATES MAGISTRATE JUDGE